

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3262-01  
Bill No.: HB 1260  
Subject: Employees - Employers; Health Care; Insurance - Medical  
Type: Original  
Date: January 11, 2010

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Bill Summary: Allows certain small employers to obtain medical coverage through the Missouri Consolidated Health Care Plan.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## **FISCAL ANALYSIS**

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### ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration** assume the proposal will have no fiscal impact on their organization.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to the BAP. The BAP, however, expects a statewide General Revenue impact, but defers to the Missouri Consolidated Health Care Plan for a specific estimate.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the legislation would provide coverage for medical expenses of the small employer through HCP, with a separate benefit trust fund account set up. It is not possible to accurately predict the fiscal impact of this legislation due to uncertainties such as the potential membership, rates, benefit design, or administrative cost. However, it is assumed that the program would be self sustaining. There would be start up cost in FY 11 that could only be recouped in later years when there was sufficient enrollment. (Placing the full responsibility on the few enrollees would make the program unaffordable.) Though the actual start-up amount is very difficult to determine, it would exceed \$100,000. Depending on the success of the program and the resulting need for additional resources, subsequent years' costs may be greater than \$250,000 annually. A specific dollar amount is nearly impossible to presume since the program's cost and any eventual recoupment of these costs is dependent on an unknown number of enrollees.

In making the above assumptions, the HCP assumed: 1) that the Board would be allowed to establish how coverage would be provided in the most cost effective fashion; 2) that an administrative charge could be added to premiums to offset the state's cost to operate the program; 3) putting these monies in the current trust fund but having separate accounting would offer a better return; 4) several rules would be required dealing with eligibility, premium payments, terminations, etc.; 5) the definition of small employer would include public entities which are already covered by the current statute. This language would require changes in regard to how benefits for these public employers are currently administered; and 6) if an employer had only one employee, but the position was vacant on January 1, then coverage couldn't be offered.

In order for the HCP to compete in the small employer health insurance market, the HCP would need to act as an insurance company with a funded reserve and 90-day IBNR (Incurred, But Not Reported) account. Initial set-up costs would be substantial, with an estimated minimum between \$2 million and \$3 million over a three-year period. At the end of this time, the HCP would have an actuarially sound, self-sustaining product that would be able to compete in the private sector.

DESCRIPTION (continued)

**Oversight** contacted HCP officials regarding funding of the costs of the small business insurance program. HCP staff stated that in FY 10, 64% of HCP's funding came from General Revenue (GR) and it was assumed that initial funding to cover start-up costs for the small business health insurance program would come from GR.

**Oversight** notes the legislation states the HCP Board is to set up and maintain a separate benefit trust fund account for small employers but does not contain provisions for funding through the General Revenue Fund. Therefore, **Oversight** assumes the HCP would set premiums at rates high enough to cover costs. As a result, **Oversight** assumes the proposal would have no fiscal impact on state funds.

**Oversight** assumes the HCP would make medical coverage available to small businesses effective January 1, 2011.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (6 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2011 (6 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal could directly impact small businesses. Small businesses that currently provide medical insurance for employees may experience a savings if insurance through the Missouri Consolidated Health Care Plan is less expensive than that currently provided. Small businesses that currently do not provide medical insurance may be able to purchase insurance and therefore, would experience an increase in costs.

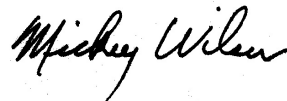
### FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Office of Administration -  
Division of Budget and Planning  
Department of Insurance, Financial Institutions, and Professional Registration  
Missouri Consolidated Health Care Plan



Mickey Wilson, CPA  
Director  
January 11, 2010